GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3384
ANSWERED ON:12.05.2006
SPECIAL PACKAGE TO KARNATAKA
Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government is considering proposal to provide a special package to Karnataka to enable the State wipe out its whooping debt;

(b) if so, the details thereof;

(c) the rate of interest to be charged on this special package amount; and

(d) the time when a final decision is likely to be taken in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d): No, Sir. However, the Union Government has accepted the recommendation of Twelfth Finance Commission (TFC) in respect of the Debt Consolidation and Relief Facility for States. According to this Scheme, the central loans (Ministry of Finance) of States disbursed up to 31.3.2004 and as outstanding on 31.3.2005 are to be consolidated and rescheduled for a fresh term of 20 years with repayments in 20 equal installments, carrying a lower interest rate of 1.5%, subject to States enacting their Fiscal Responsibility and Budget Management Act with the certain specified core provisions. Under this Facility the State Governments are also likely to get debt waiver linked to improvement of their revenue deficit along with other laid down conditions.

Government of Karnataka has enacted its Fiscal Responsibility and Budget Management Act (FRBMA) and also drawn up a Fiscal Correction Path for consolidation of State Finances. On recommendation of the Central Monitoring Committee on Debt Consolidation and Relief Facility, this Ministry has consolidated Central loans, advanced by Ministry of Finance amounting to Rs.7166.50 crores to Government of Karnataka. In addition, an amount of Rs.358.33 crores of repayment of the State Government has been waived off for the year 2005-06 on the basis of improvement in revenue balance.